

The Simple Analysis of Impact on Financial Outsourcing Because of The Rising of Cloud Accounting

Ling Zhang and Wenlin Gu

Hohai University, Jiangning District, City Road No. 8, Buddha, China

Abstract: Cloud computing which was first developed in IT has gradually spread to all walks of life. And the so-called cloud accounting refers to its application of finance and accounting. The emergence of cloud accounting has tremendous impact on financial outsourcing, which is on the high-speed development and may be a new opportunity for the development of finance and accounting. The study first introduced concepts and development status of financial outsourcing and cloud accounting and then analyzes the advantages of cloud computing which has impact on financial outsourcing and put forward the obstacles and relevant solutions in the extensive application of cloud accounting combined with the situation of the enterprises at present. And finally the study has a vision of the future development of cloud accounting. In this study, the research on cloud computing and financial outsourcing and the exploration of the interaction between each other mainly lies in providing theoretical basis for enterprises when they choosing the develop patterns.

Keywords: Cloud accounting, cloud computing, financial outsourcing, information era

INTRODUCTION

The further extensive process of information and economic globalization has brought a broad space for enterprises development and more fierce competition at the same time. The status and development of enterprises largely depend on the develop patterns enterprises choose to shape its core competitiveness. As accouter and manager of business information, financial department should support the management decision form both intellectual and data and become a think-tank of decision-makers. In order to operate well, it is necessary to establish a perfect financial system and management method. Therefore, more and more enterprises focus on financial department to looking for a new breakthrough.

With the integration between modern financial management and the global economic, the enterprises have to purchase the corresponding software and hardware to meet the growing needs and which cost too much. As a result there emerge lots of various attempts to cut costs, including financial outsourcing which started in 1990s, as well as the application of cloud computing in finance and accounting emerged in recent years. This study focuses on traditional financial outsourcing and emerging cloud computing, at the same time emphasizes the advantages and disadvantages as well as the existing obstacles. Author hopes that enterprises can weigh the pros and cons of each pattern, enhance strong points and avoid weaknesses when choosing the develop patterns. And then they can use the existing methods more reasonable and effective.

THE OVERVIEW OF FINANCIAL OUTSOURCING AND ITS DEVELOPMENT STATUS

The overview of financial outsourcing: Financial outsourcing is a rapid development of a financial management mode in western countries after IT outsourcing. It refers to enterprises outsource their transactions and procedures in financial management to outsourcers according to the contract. Financial outsourcing can usually be divided into traditional financial outsourcing and network financial outsourcing according to its medium. Traditional financial outsourcing mainly depend on static financial data in the study and the main drawback is the limitation of timeliness, have been unable to meet the changing market demands. Network financial outsourcing refers to financial outsourcing based on the network environment, which mainly depend on the network financial software, namely enterprises outsource some or all of its financial affairs to outsourcers through financial network application platform. And then outsourcers will carry on some financial operations and procedures, as well as to realize the real-time remote accounting treatment and financial management. Network financial outsourcing is the senior development form of traditional financial outsourcing under the conditions of network and greatly enhances the timeliness of financial management (Yamin, 2012).

The ultimate goal of choose financial outsourcing is to highlight its core superiority and enhance

competitiveness. "Harvard Business Review" had once regard outsourced as the most important management thoughts in one hundred years. The world's most influential management guru Peter F. Drucker also put forward an important point before twenty years "the work only play the back-office support role and cannot create turnover should be outsourced; the work cannot offer advanced development opportunities and business activities should also be outsourced." That pointed out a promising path for the development and adjustment of outsourcing industry.

The development status of financial outsourcing: In the early of 1920s, British Petroleum signed the first financial outsourcing contract with Accenture and reduced capital costs by half. Now more and more enterprises are stepping into the rank of financial outsourcing. The development status of financial outsourcing presents an hourglass shape "larger on middle and smaller on two sides", namely small enterprises and large enterprises are more willing to adopt this mode than the medium-sized enterprises. This situation coincides with the development of the enterprise. Generally speaking, small businesses do not have enough money to set up a perfect financial department and employ professionals, so they turn to financial outsourcing to seeking the minimum cost and high quality of services. While the big enterprises have the huge and complex branches and cross-regional business, they need more professional team for them to process financial data, so the financial outsourcing is also a good choice. For the medium-sized enterprises, they have certain strength and the organization structures are simpler than large enterprises, so they are more likely to handle all the financial data and information by themselves (Yonghong, 2007).

According to the idea of enhance the core competitiveness of enterprises, they should do the things they are good at and outsource the things they are not good at and have no impetus to long-term development to the outsourcers who are in the leading position in the industry. Therefore, it is very important to determine the boundary of financial outsourcing. We should take the management, the secret and the risk of enterprise into consideration and then outsource the weak business after weight the advantages and disadvantages (Yinchun, 2005). At present, the main form of outsource at home and abroad are wage outsourcing, travel and entertainment outsourcing, tax outsourcing, accounts receivable outsourcing, financial report outsourcing and so on.

The advantages and disadvantages of financial outsourcing:

The main advantages of financial outsourcing:

- **Reduce the capital expenditures and cost:** After financial outsourcing, enterprises do not need to

purchase the corresponding software and hardware to complete financial functions, which can reduce one-time capital expenditures and save the cost of software debugging. Secondly, financial outsourcing can avoid the cost of the daily maintenance and upgrade of system. At the same time financial outsourcing enables enterprises spend the operating cost one period by another according to actually situation, which balance the operating expenses. Finally, financial outsourcing reduces labor costs. Finance outsourcing avoids the cost of IT professionals to maintain system and the people engaged in outsourcing link. It can also reduce the amount of additional cost, including vacation, welfare, overtime etc.

- **Improve the quality of management and the compliance of work:** The professional process and management skills that financial outsourcing providers have can minimize the probability of false information in accounting thus can ensure the quality of financial information and improve the quality of management. Furthermore, financial outsourcing breaks the limitation of time and space of financial management and achieves financial work online, which greatly improves efficiency. The accurate and timely financial information can make the enterprises' decision-making more scientific and respond to market changes more quickly.
- **Contact advanced management ideas timely:** The nature and mission of financial outsourcing service providers with advanced management ideas and technical means make it be the leader in the similar business. It not only provides high quality service to enterprises but also enables employees contact advanced financial management methods to help enterprises improve their management level.

The insufficient of financial outsourcing:

- **The exclusion of financial outsourcing form traditional Chinese thought:** Lots of enterprises regard financial department as an important and confidential branch of enterprises. It is likely to make financial information leak out because of outsourcing and finally cause serious influence on enterprises. Therefore, Chinese enterprises reject outsourcing from their hearts.
- **Obstacles in communication:** After financial outsourcing there will exist lots of communication problems. Due to the apprehension of financial privacy enterprises may hide important information and data when contractors come to learn the situation of them, leading to professional institutions cannot understand enterprises fully and provide a high quality service and even make the cooperation difficult to continue.

- **Information cannot transfer flexibly between enterprises:** Under financial outsourcing mode, some information needs to be transferred from enterprises to outsourcers first and then return to enterprises again after processing. The more links and times the data transferred the more authenticity and reliability will be affected. At the same time it is more difficult to ensure the timeliness of data.
- **Make employees lost accounting skills gradually:** Fundamentally speaking, financial management includes a set of specialized knowledge and skills. The role of it is to provide relevant management strategy and the strain capacity to integrate funds and sources dynamically. Many scholars and entrepreneurs who are critical to financial outsourcing think that at present the outsourcing practice may be obtain only short-term competition but lost the professional skills and the opportunities to innovate and to build the core competence in the future.

THE RISING OF CLOUD ACCOUNTING AND ITS OWN ADVANTAGES

“Cloud” is a metaphor for the Internet and cloud computing does not have a unified definition up to now. Different company made different definition about cloud computing, such as Google, the father of cloud computing, Amazon, IBM, etc. Usually, we regard cloud computing as the development of distributed computing, parallel computing and grid computing and so on. It allows its users meet the needs of information system through buying services instead of buying equipments. The mode will carry out the share of hardware and software resources and greatly meet the computing power demand of individual and enterprises. Cloud computing gather all resources in the cloud storage center, users can enjoy unlimited resources and computing power as long as they the use simple terminal to attach the Internet (Peng *et al.*, 2010). The concept of “cloud accounting” was first put forward by Ping and Xuefeng (2011) the application in medium-sized and small enterprises informatization of cloud accounting”. They defined cloud accounting as the use of cloud computing in internet to build a virtual accounting information system. That is to say cloud computing plus accounting equals cloud accounting. Enterprises can have access to accounting information and services through cloud accounting and do not to spend lots of financial and human cost to purchase and install financial software, as long as ordering the financial services software online (Ping and Xuefeng, 2011)

In China, there is no doubt that medium-sized and small enterprises have become the pioneer to use cloud computing. According to the latest statistics, in the past one year, the HiChina has adjusted cloud computing to

nearly 300000 medium-sized and small enterprises. IBM, meanwhile, helped more than 100 large-scaled enterprises at home to implement private cloud. According to those statistics, it is clearly that cloud accounting mainly focuses on medium-sized and small enterprises at present and supplemented by large-scale enterprises. The comparison between financial outsourcing and cloud accounting can easily find that their main applications have considerable overlap.

The rising of cloud accounting has tremendous impact on financial outsourcing. Lots of small enterprises and large-scale enterprises which chosen financial outsourcing in the past has tend to cloud accounting and some are keeping wait-and-see attitude and even itch for a try. The prosperity of cloud accounting not only because its advantages that financial outsourcing has but also it makes up the shortages of financial outsourcing:

- **Enable enterprises to adapt to the new economic business needs rapidly:** In financial outsourcing mode, accounting information system cannot process communication problem in time. However, under cloud computing mode enterprises can not only select the appropriate services flexibly according to its own business change, but also keep up with accounting standards when it requires enterprise to adopt the new accounting methods.
- **The information transfer become more convenient:** Once business occurred under the cloud computing mode, information can be transferred and recorded to cloud in real time through any networked terminal equipment. And at the same time cloud accounting can process budget control, cost accounting and other accounting business. It also make online tax, bank reconciliation, audit, the integration of upstream and downstream enterprises’ accounting information system become possible, which is convenient for banks, tax insinuations and accounting firms to communicate with each other.
- **Strengthen accounting control:** Accounting is an economic information system, which including receive, recognize, classify, record, store, transfer, output, analyze financial and nonfinancial information and control enterprises’ activities effectively. Cloud computing as the advanced information technology will bring not only new innovations on enterprises’ operate method but also on the accounting data collection environment, acquisition tool and the acquisition mode. Under cloud computing mode, the information system of the enterprise is no longer an isolated island of information. Enterprises can easily obtain large outside information though the information services provides by cloud computing provides and is helpful to strengthen accounting control.

- **Reduce the communication barriers and improve comprehensive quality:** When carrying on cloud computing, communication mainly exists in interior. It is easy and efficient to communicate and do not need to be apprehensive. And it calls for employees to know the knowledge about cloud computing after fully grasp the professional skills of accounting. Thus improve the comprehensive quality of employees.
- **Promote enterprises to rebuild financial process:** The application of cloud accounting can reduce unnecessary, complex financial process and reduce the manpower consumption; therefore it can improve the efficiency, accuracy and sharing degree of information transmission and promote to build financial process and improve efficiency of production (Meiping and Zhiping, 2007).

THE OBSTACLES ENTERPRISES ARE FACING AT PRESENT TO APPLY CLOUD ACCOUNTING IN LARGE SCALE AND ITS RELEVANT SOLUTIONS

- **The security of data in cloud accounting:** Although the application of cloud accounting can bring much convenience, a lot of enterprises still keep wait-and-see attitude, this mainly because of the worry about the safety of accounting information. Due to cloud computing deployment mode, numerous data are stored in the same cloud. Once cloud storage center being damaged or attacked, the consequences will be unbearable and innumerable enterprises will also be affected. Or leak core data to the other enterprise in the same cloud due to unexpected will also bring serious consequence.
- **Do not have a uniform standard in charge:** Cloud accounting is an emerging industry in China and do not have a uniform standard in charge, so the standard of how to charge is the outcome of the game from both sides. It is difficult to say whether the standards of charge are reasonable or beneficial to enterprises or to service institutions. With the development of cloud accounting, there will be more and more professionals join this industry, government should develop a set of standards as soon as possible to avoid malignant competition.
- **The regimes of service institutions are not sound:** Cloud accounting started relatively late in China, so the regimes of professional service

institutions are not sound. Some people in these institutions do not have solid professional knowledge and lack of work experiences; and other people who do not have good ideological and moral cultivation cannot keep secrets for enterprises and even damage the interests of enterprises for personal interests.

CONCLUSION

In fact, there does not have the best and immutable mode for enterprises to develop and manage. As the world's famous writer and thinker Spencer Johnson once said, "the only constant is change itself". Enterprises should continue to explore and learn in the changing market. The implementation of new technologies should avoid both blindness and delay. In fact, no matter what's the new thing is, it cannot replace the old mode completely. And these new technologies only provide abundant choices and space for enterprise when they are in fierce competition. It is foreseeable that cloud accounting will have a suitable status due to its own advantages and there will be a steady flow of new technologies in the future. The most important thing for enterprises is how to choose the suitable technologies to improve the adaptability to the market and enhance the comprehensive competitiveness.

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